

# Michigan Exporting

Information for the MI House Committee on Commerce

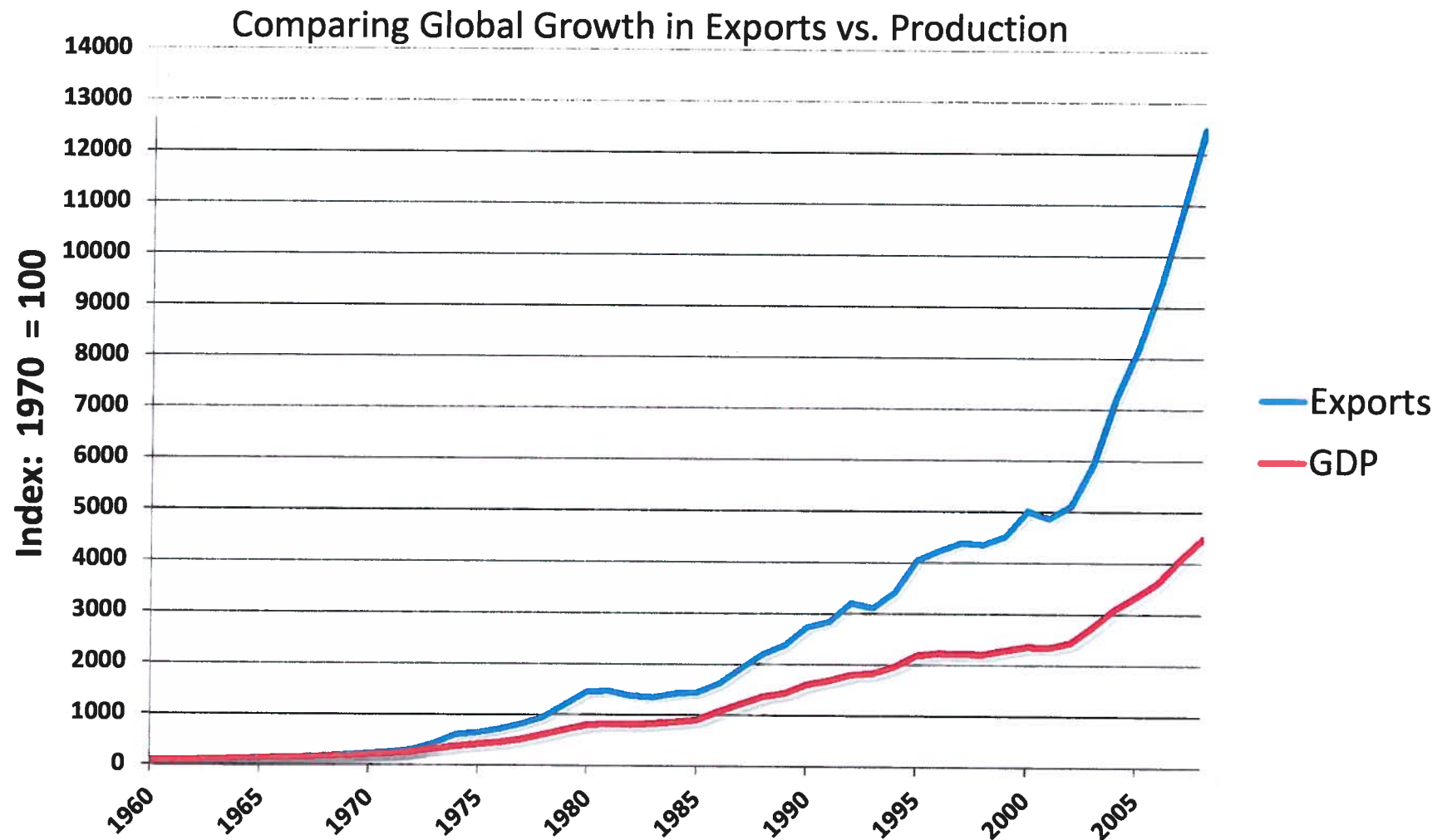
**Dr. Tomas Hult**

Eli Broad Professor of International Business  
Director, Center for International Business Education & Research  
Executive Director, Academy of International Business

Eli Broad College of Business  
Michigan State University

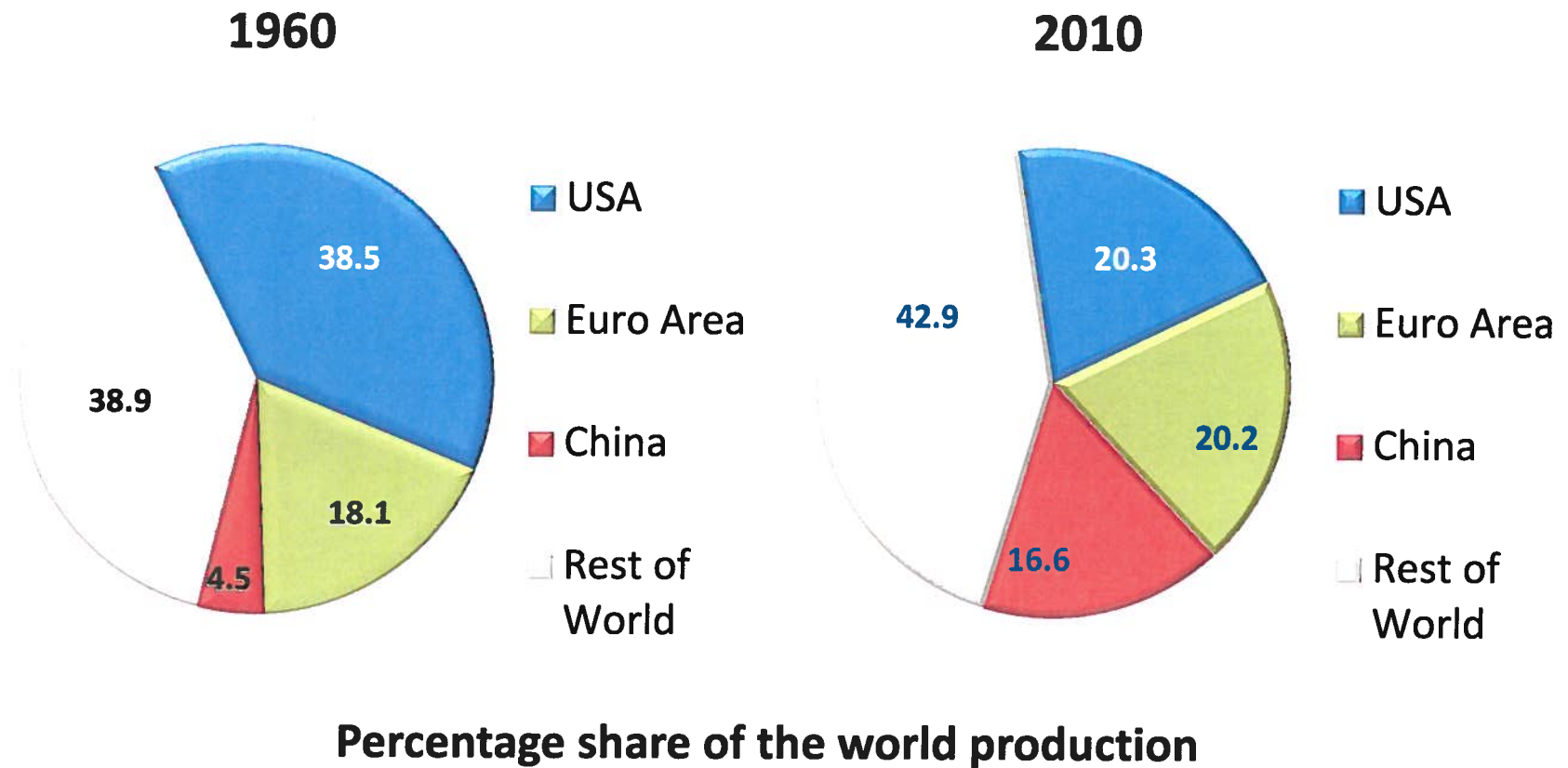
March 13, 2012

# Cross-border business continues to grow exponentially



Source: The World Bank World Development Indicators

# Meanwhile the U.S. is losing ground

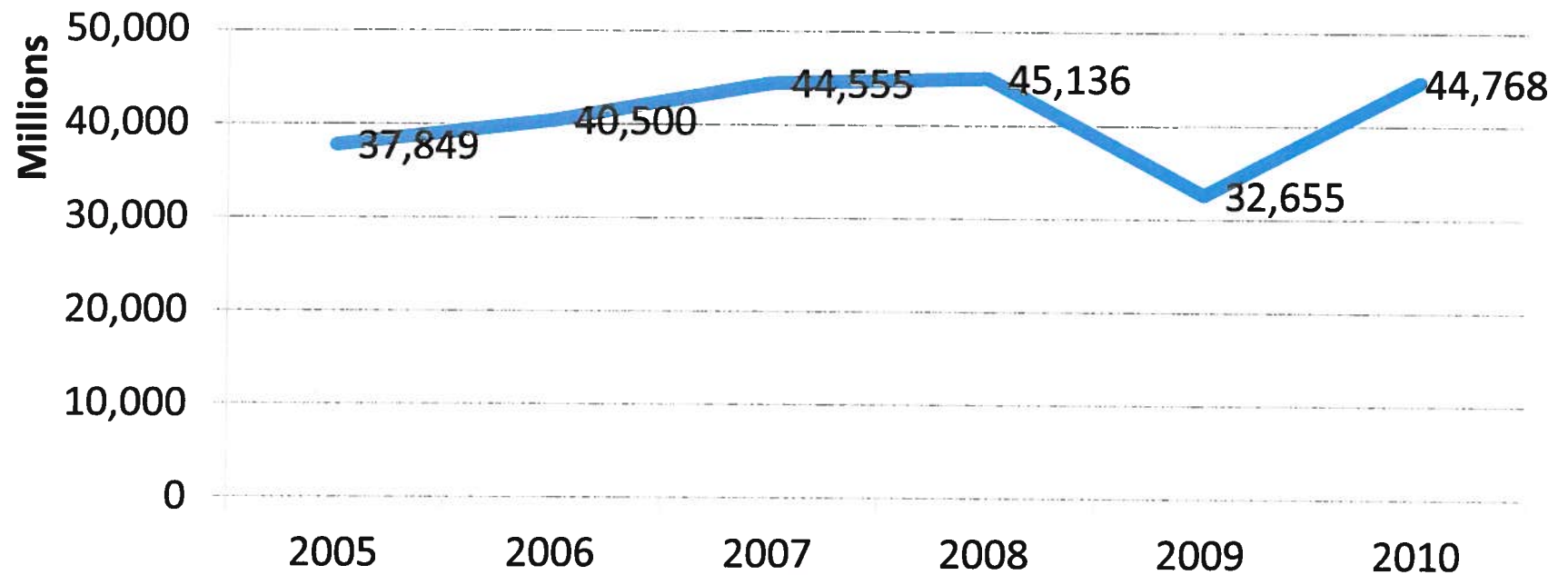


Source: The World Bank World Development Indicators

# Global Entrepreneurs

- 388 million entrepreneurs were actively engaged in starting and running new businesses in 2011 throughout the world
- These included an estimated:
  - 163 million women early-stage entrepreneurs
  - 165 million young early-stage entrepreneurs between the ages of 18 and 35
  - 141 million early-stage entrepreneurs who expected to create at least five new jobs in the next five years
  - 65 million early-stage entrepreneurs who expected to create 20 or more new jobs in the next five years
  - 69 million early-stage entrepreneurs that offer innovative products and services that are new to customers and have few other competitors
  - 18 million early-stage entrepreneurs that sell at least 25% of their products and services internationally

# Merchandising Exports from Michigan





"We will double our exports over the next five years, an increase that will support two million jobs in America."  
– President Obama, January 27, 2010  
(State of the Union)



- The NEI is focused on
  - (1) improving trade advocacy and export promotion efforts;
  - (2) increasing access to credit, especially for small and medium-sized businesses;
  - (3) removing barriers to the sale of U.S. goods and services abroad;
  - (4) robustly enforcing trade rules; and
  - (5) pursuing policies at the global level to promote strong, sustainable, and balanced growth.
- Helping U.S. companies become more competitive internationally is a critical step to “winning the future.”
- 87 percent of world economic growth over the next five years will take place outside of the United States.
- Small and medium-sized enterprises often face hurdles when trying to close an export sale including lack of readily available information about exporting and market research, challenges obtaining export financing, strong competition from foreign companies and obstacles thrown up by foreign governments.
- **U.S. Senator Debbie Stabenow** (D-MI) was appointed to President Obama's Export Council: "I am very pleased to be appointed to President Obama's Export Council where I will be a voice for manufacturers and workers on international trade issues."

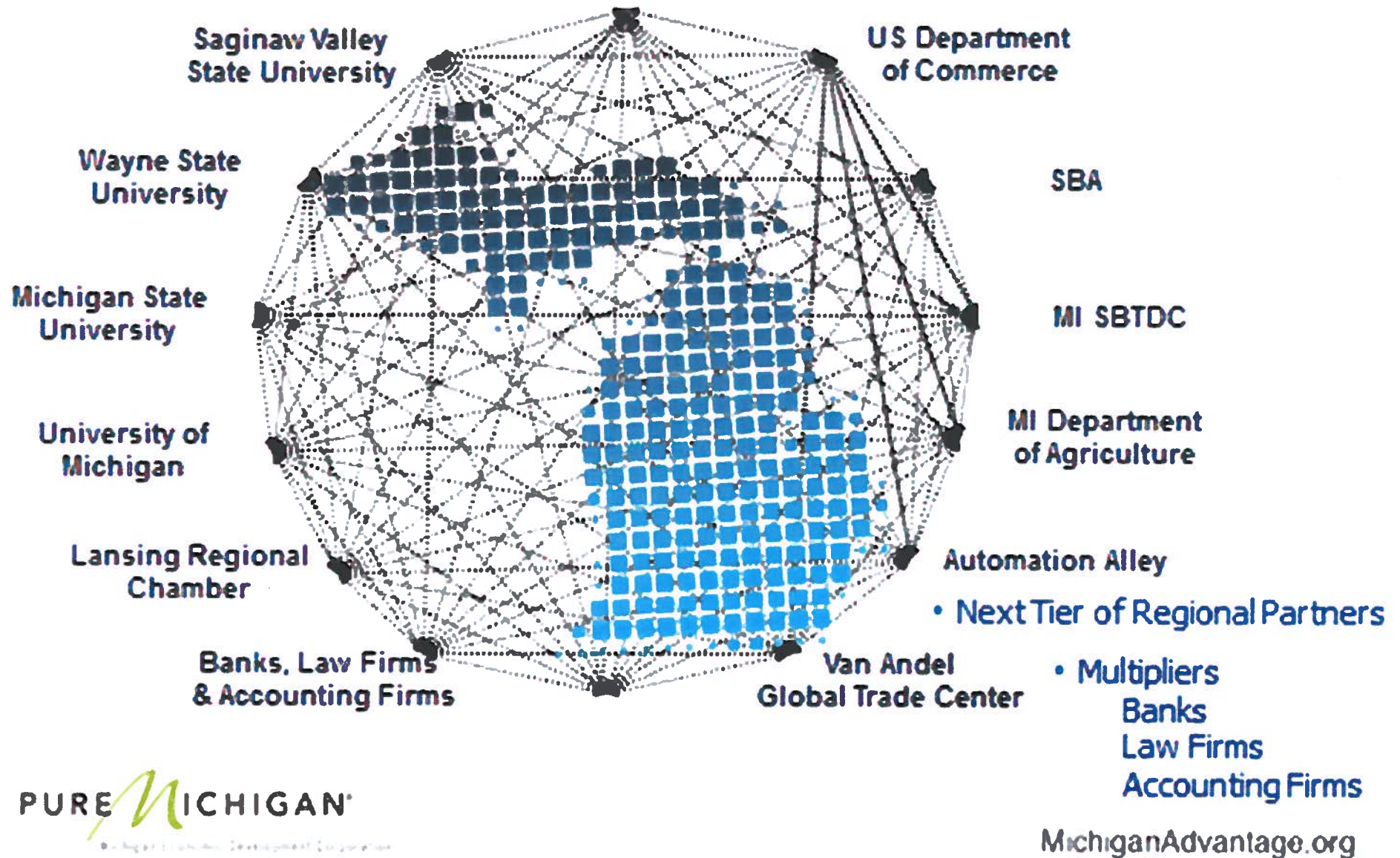


# State Trade and Export Promotion (STEP) Program

- The State Trade and Export Promotion Program (STEP) is a 3-year pilot trade and export initiative authorized by the Small Business Jobs Act of 2010. Funded by federal grants and matching funds from the states, the STEP Program is designed to help increase the number of small businesses that are exporting and to raise the value of exports for those small businesses that are currently exporting.
- The STEP grants will help provide:
  - support for small business participation in foreign trade missions and foreign market sales trips
  - subscription to services by the Department of Commerce
  - website translation fees
  - design of international marketing media
  - trade show exhibitions
  - participation in training workshops
  - other export initiatives determined to be appropriate by the SBA
- Michigan received \$1,466,978 for 2011-2012
- <http://www.michiganadvantage.org/STEP/>



# STATEWIDE PARTNER COLLABORATION





# Michigan State University

International Business Center

The Eli Broad College of Business

East Lansing, Michigan 48824-1121

[ibc@msu.edu](mailto:ibc@msu.edu)

- Benchmarking Report
- Self-Assessment Checklist
- Diagnostic Tools
- Michigan Export Growth Program
- Workshops
  - Intro to Exporting: Creating Your Export Plan
  - Exporting: The Next Steps
  - Advanced Exporting: Global Operations and Strategy
- Training Modules (65 Modules)
- Webinars
- Market Potential Index
- Customized globalEDGE

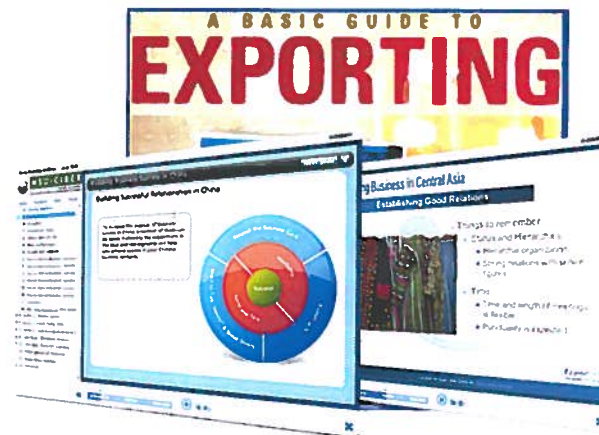
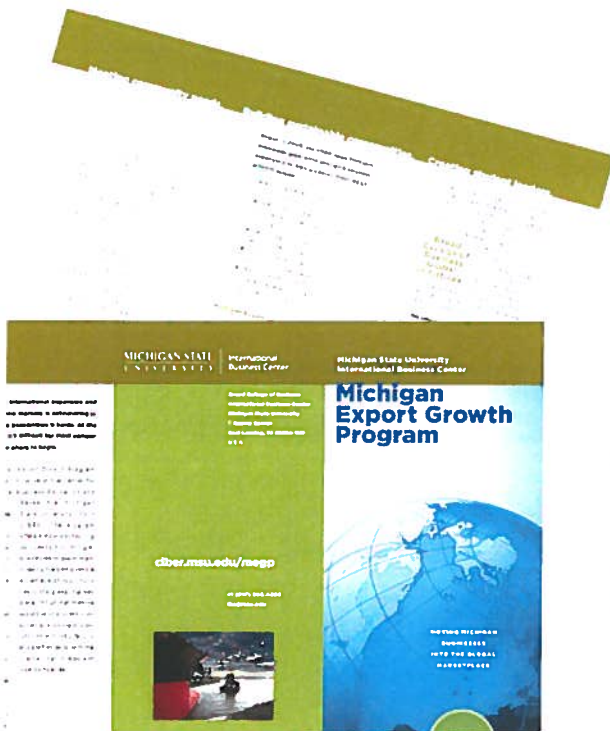


PURE  MICHIGAN®  
Michigan Economic Development Corporation

# MSU International Business Center

*Mission: To provide superior education, research, and assistance to businesses, public policy makers, academics, and students on international business and trade.*

**CIBER \* U.S. Commercial Service Affiliate \* MEDC STEP Program  
Statewide Partner & Training Provider \* Global Business Club \*  
International Trade Center \* globalEDGE \* Michigan Export  
Growth Program \* Academy of International Business**





Serving 12,137 Companies & 176 Educational Institutions Since 2006  
(Map representing cities with companies and educational institutions served)



*The International Business Center (ibc.msu.edu), started in 1988, has been designated as a National Resource Center by the U.S. Department of Education since 1990. IBC's mission is to provide superior education, research, and assistance to businesses, public policy makers, academics, and students on international business and trade.*



# MSU International Business Center

**Serving 1,945 Companies & 23 Educational Institutions  
in Michigan Since 2006.**

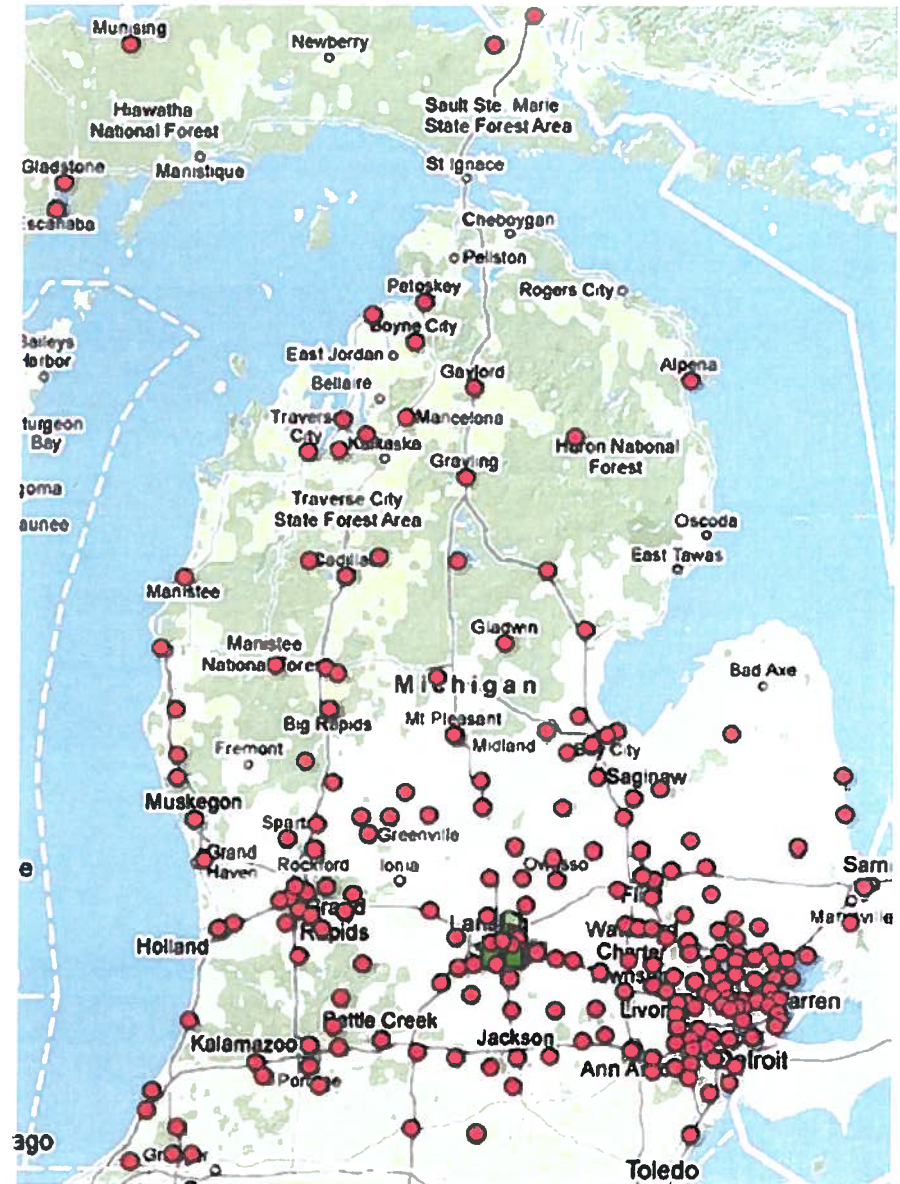
The map represents cities with companies and educational institutions served in Michigan since 2006 by the International Business Center in the Eli Broad College of Business at Michigan State University.

As a background, in the spirit of Michigan State University's "world-grant" focus along with President Obama's National Export Initiative, the IBC has centered increased attention on helping U.S. businesses thrive in the global marketplace – with a particular emphasis on our home state of Michigan.

Nationwide, since 2006 the MSU International Business Center has served 12,137 companies and 176 universities and educational institutions with training, development, assistance, research, and much more (and double those numbers since its founding in 1988).

Given the nation's increased focus on exporting since President Obama's 2010 State of the Union speech in which he highlighted the National Export Initiative, we are delighted to be part of the international business and trade solution in Michigan and across the country.

The International Business Center ([ibc.msu.edu](http://ibc.msu.edu)), started in 1988, has been designated as a National Resource Center by the U.S. Department of Education since 1990. IBC's mission is to provide superior education, research, and assistance to businesses, public policy makers, academics, and students on international business and trade.



**MICHIGAN STATE**  
UNIVERSITY

**Broad College of Business**

SEARCH

► Global Insights

► Reference Desk

► Knowledge Tools

► Get Connected

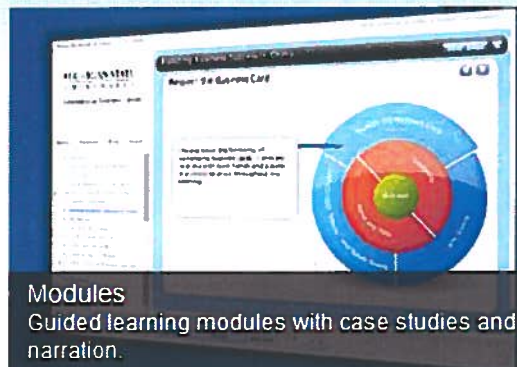


Academy (for students, faculty, teachers)



**STRATEGIC**  
**INTERNAL**  
**STRENGTHS** **WEAKNESSES**

**Diagnostic Tools**  
Self assessment tools to identify your exporting potential.



**Modules**  
Guided learning modules with case studies and narration.



**Q&A**  
**Export Tutorials**  
A comprehensive list of answers to frequently asked international business questions.

## Get globalEDGE Insights

► [By Trade Bloc](#)

► [By Country](#)

► [By State](#)

► [By Industry](#)

### Insight Research by Trade Bloc

Discover data about the six major trading blocs and the participating countries. Select one of the trade blocs from the menu below to get started.

APEC



GO

## Latest Blog Entry

**International Airlines Implement Biofuels**  
11/2/2011 9:47:19 AM

**Small Business Strategy Web Interviews**  
11/1/2011 1:58:41 PM

**From Bricks to Clicks: E-Commerce**  
10/31/2011 12:00:04 PM

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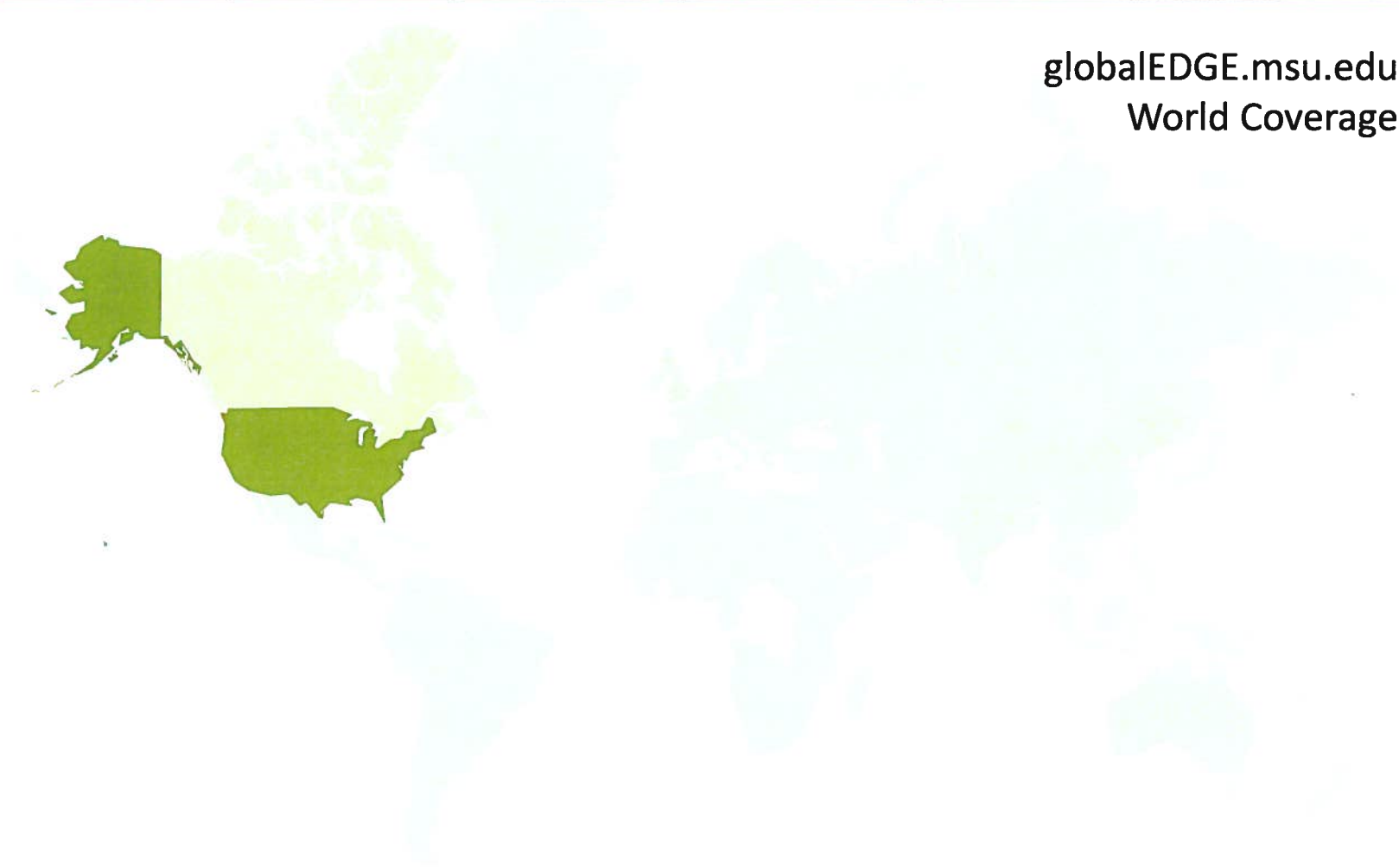
► [Reference Desk](#)

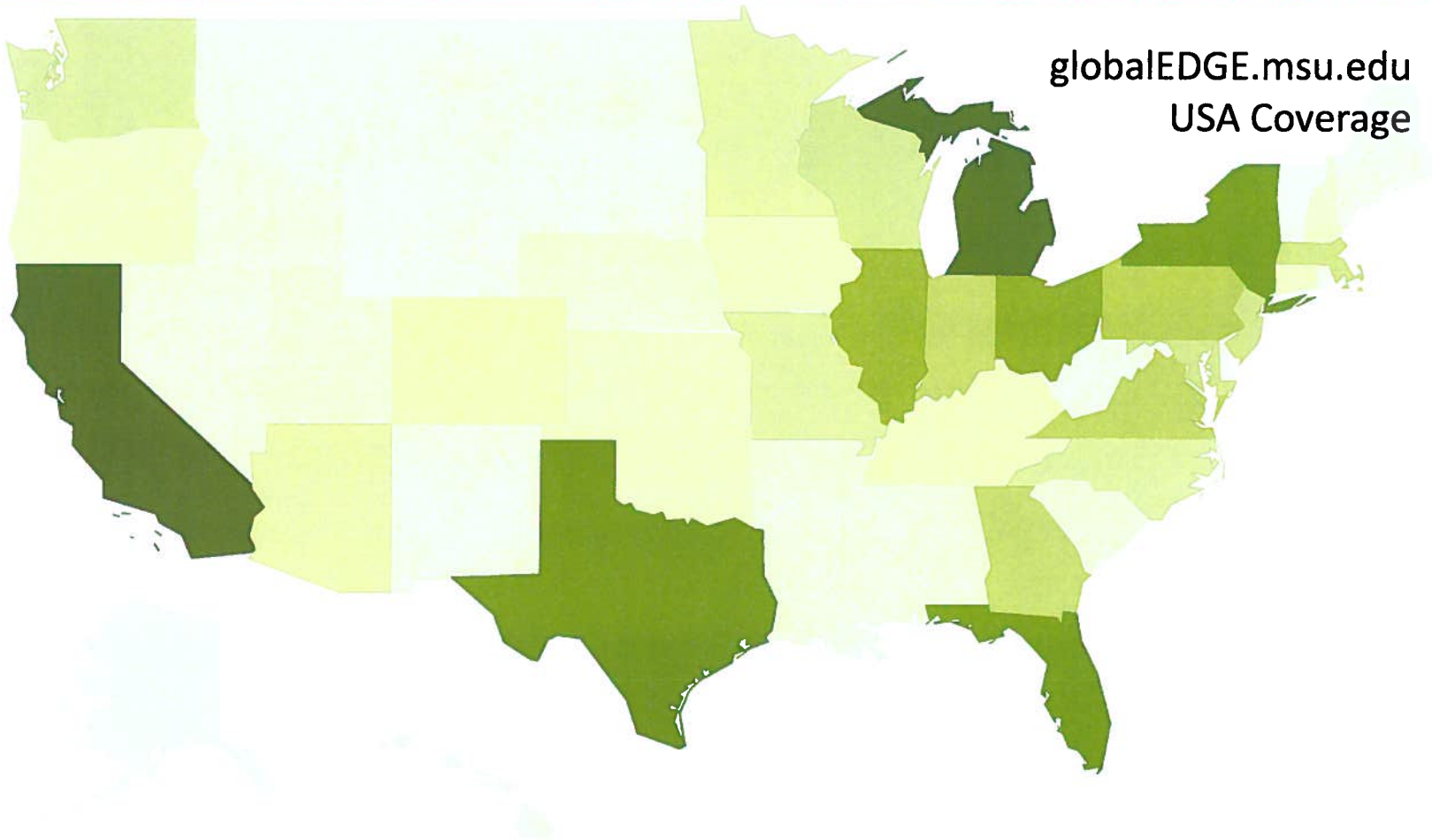
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► [Get Connected](#)

► [Academy \(for students, faculty, teachers\)](#)

**globalEDGE.msu.edu**  
**World Coverage**







# Michigan Export Growth Program

- Program designed primarily for small to medium-sized firms, seeking short and long-term export counseling, country and industry-specific reports
- Supported by a team of student researchers and MSU faculty and staff members
- Services are completely confidential and final reports become the clients' property upon completion
- Free to the client

<http://global.broad.msu.edu/megp/>



# Company Overall Readiness to Export: an interactive diagnostic tool



## Organizational Readiness

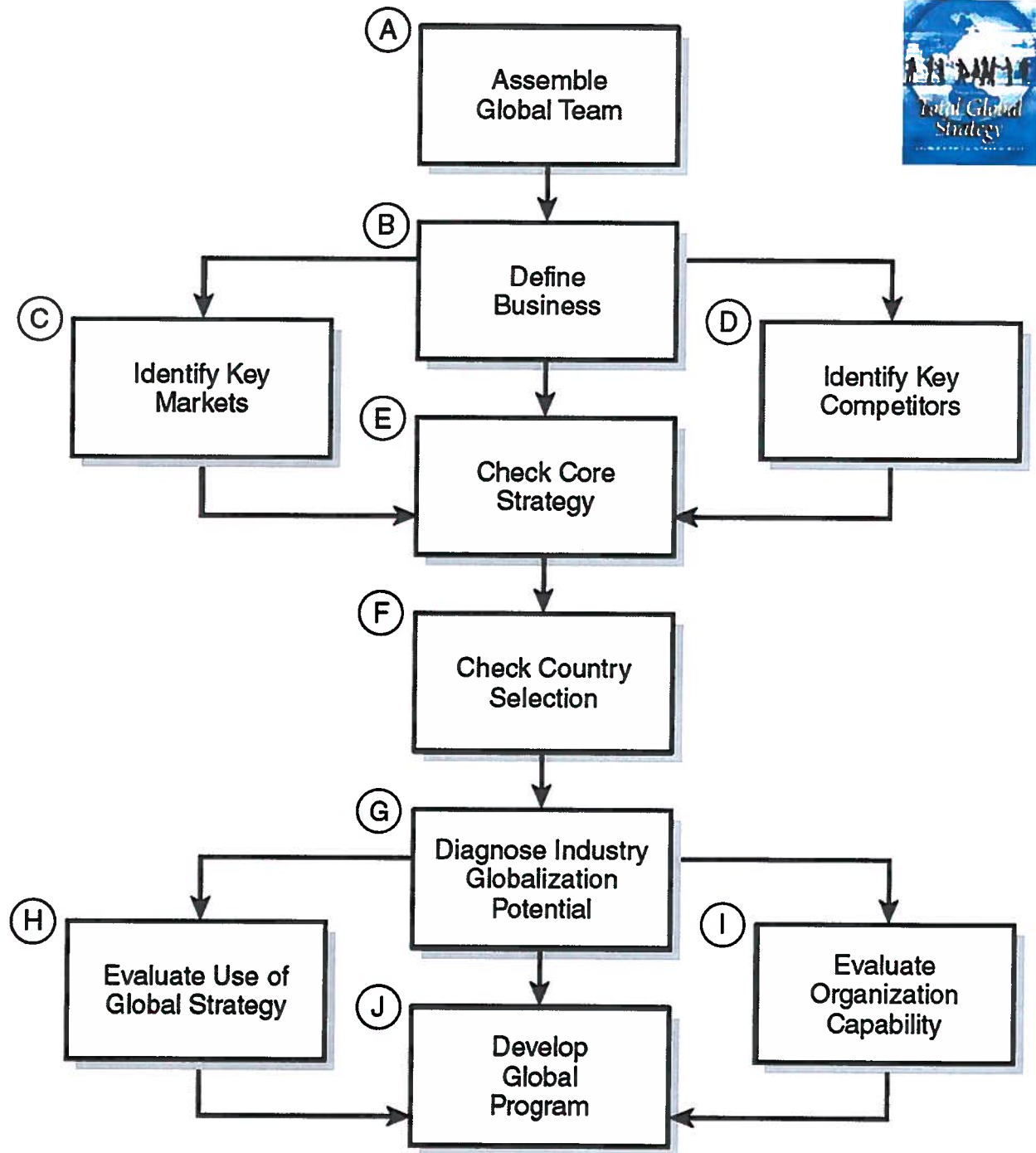
- Management commitment
- Domestic competitiveness
- Administrative procedures & current supply chain
- Availability of internal resources (incl. capacity)
- Basic understanding of export complexities and processes

## Product Readiness

- Usability & serviceability
- Packaging & labeling
- Positioning based on needs
- Understanding market potential and competition

[globalEDGE.msu.edu](http://globalEDGE.msu.edu)

# Conducting a Global Strategy Analysis





# Welcome to EXPORTING 101

## Looking for a comprehensive overview of how to export?

For more than 70 years *A Basic Guide to Exporting* has been the resource that businesses have turned to for answers to their questions about how to establish and grow overseas markets for their products and services. Whether your firm is new to exporting or in need of a refresher on the latest ideas and techniques, this comprehensive guide, now completely revised and updated, provides the nuts-and-bolts information you will need to meet the challenges of the world economy by examining

- How to identify markets for your company's products

(see Chapters 3 and 6)

- How to finance your export transactions

(see Chapter 15)

- The best methods of handling orders and shipments

(see Chapters 12 and 13)

- Sources of free or low-cost export counseling

(see Chapter 4)

You'll also find numerous real-life examples that illustrate the principles of exporting, samples of forms needed to export, and—in a valuable appendix—information on how to obtain guidance and counseling offered by the federal government through its domestic network of 110 Export Assistance Centers and through commercial counselors located in U.S. embassies abroad.

Doug Barry, Editor

ISBN 0-16-075223-X

*"Sourcing and selling goods around the world has never been easier, and more and more small U.S. businesses are competing and winning*

*in the global economy. A Basic Guide to Exporting*

*is a great source for anyone preparing to do business or to increase their sales overseas. We strongly recommend it to our customers."*

FREDERICK W. SMITH

President, Chairman, and CEO  
FruitEx Corporation

*"A Basic Guide to Exporting is an invaluable resource for the beginner, the experienced person, and the student of international trade. The new version is even better and includes brief case histories that bring subjects to life."*

ALAN WHITEHEAD

Professor of International Business  
Texas Tech University

*"The inspiring case studies are invaluable tutorials. Use this exporting road map to develop your expanded 21st*

*century growth strategy."*

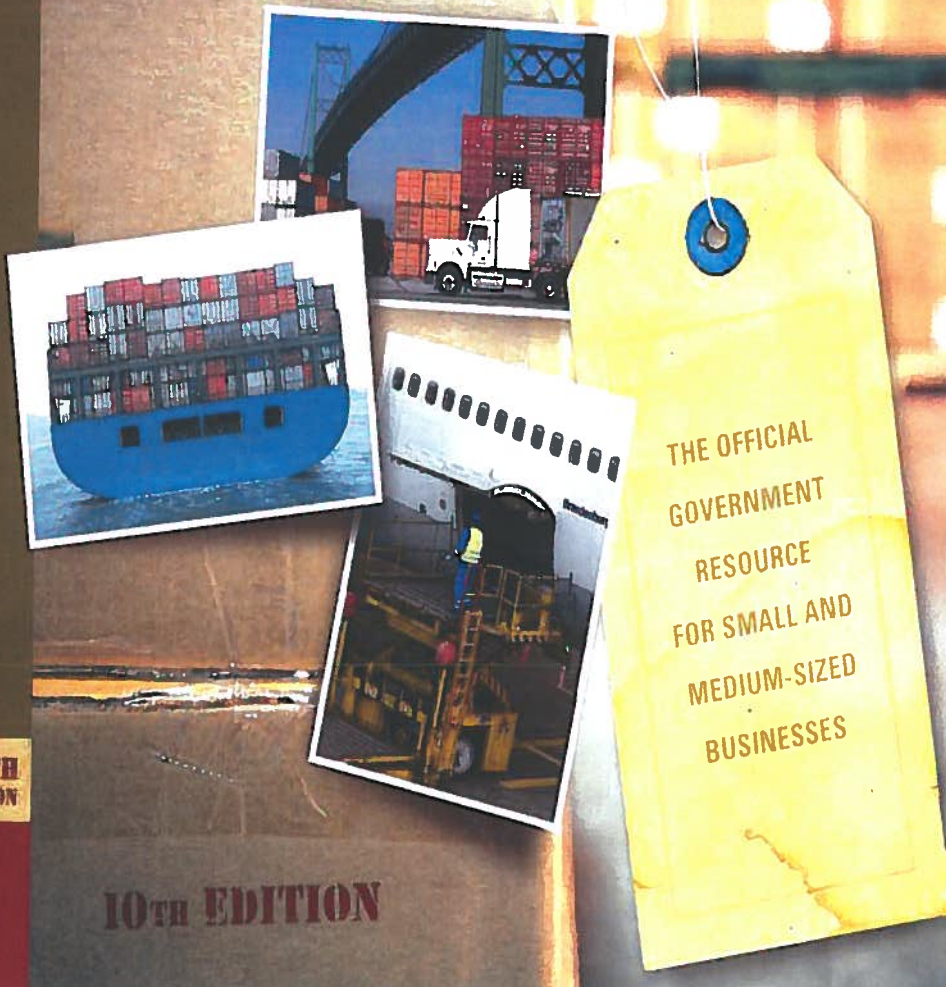
JIM BLASINGAME

Author, *Entrepreneur* host of The Small Business Advocate Show  
speaker, syndicated columnist, and author of *Three Minutes to Success*

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10TH  
EDITION

# A BASIC GUIDE TO EXPORTING





# globalEDGE - Export Tutorials

## Export Tutorials

[Export Readiness](#) | [Financial Considerations](#) | [Government Regulations](#) | [Logistics](#) | [Sales and Marketing](#)

### Export Readiness

How do I determine if my company is ready to export?

### Government Regulations

How do I find out if I need any licenses and/or permits to export?

Where can I find information on foreign regulations or certification requirements?

Where can I find information on trade sanctions?

What Free Trade Agreements apply to my exports?

What is a customs broker?

Where can I get free legal advice on how to begin exporting?

Where can I find information about international intellectual property rights?

What is the required documentation for export?

### Financial Considerations

How do I determine applicable tariffs and quotas for my products?

How can I finance my exporting?

What are some common payment forms for exporters?

How do I hedge against currency fluctuations?

How can I find out about investment practices in a certain country?

What are the financial risks of doing business overseas?

Do I need to price my product or service differently for export?

How do I reduce the risks of not getting paid by a foreign customer?

How can I finance my exporting?

#### Types of Trade Finance

##### Working Capital Loans

Working capital loan programs are normally associated with pre-shipment financing which cover the operating costs related to a sales order or contract. Loan proceeds are commonly used to finance labor, materials and inventory.

The U.S. Small Business Administration (SBA) provides export loan guarantee programs to help small businesses sell products or services overseas:

- Export Express is the simplest export loan product offered by the SBA which provides streamlined financing up to \$500,000.
- Export Working Capital Program (EWCP) is another type of product that The Export-Import Bank (Ex-Im Bank), the official export credit agency of the United States, and SBA offer in order to help businesses obtain private sector loans to meet their transaction financing needs through short-term working capital. EWCP provides financing up to \$5,000,000.

##### International Trade Loan Program

The SBA International Trade (IT) Loan Program assists small businesses that are engaged in exporting, prepared to engage in exporting or adversely affected by competition from imports. Under this program, SBA can guarantee as much as \$1.25 million in combined working capital and facilities and equipment loans.

#### Trade Finance Products

##### Factoring

Once a product has been shipped, that inventory is converted to an Account Receivable (A/R). A list of all Accounts Receivable is maintained on an aging report while the exporter waits for final payment. If there is a need for immediate cash, it's possible to sell the A/R at a discount. This solution is called Factoring.

Factors typically provide 70% of the face value with 3-5 working days, and assume responsibility for collection from the buyer. After final payment, the Factor will pay the remaining 30% - less a service fee of 4% - 5%.

##### Forfaiting

Forfaiting is the selling, at a discount, of longer term accounts receivable or promissory notes of the foreign buyer. These instruments may also carry the guarantee of the foreign government. Both U.S. and European forfaiting houses, which purchase the instruments at a discounted price, are active in the U.S. market.

For more information about factoring and forfaiting please visit [export.gov](#).

For additional information about export financing, the following sites may be helpful:

# globalEDGE – Country Insights

## Introduction

### Statistics

### Economy

### History

### Government

### Culture

### Risk

### Corporations

### Trade Statistics

### Indices

### Resources

Search for another Country

## Tips When Visiting ....

In Turkey, the concept of sharing a bill is completely alien.

MORE TIPS

Did you know ...



Turkey's automotive industry is the 15th largest producer in the world.

Test your knowledge >>

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JOIN TODAY

## Turkey: Introduction

Turkey is a transcontinental country located in Southeastern Europe and Southwestern Asia bordering the Black Sea. Neighboring countries include Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Iran, Iraq, and Syria. Turkey has a strategic location controlling the Turkish Straits that link Black and Aegean Seas. The geography of Turkey consists of narrow coastal plains on the west that becomes increasingly rugged as it progresses eastward. The government system is a republican parliamentary democracy. The chief of state is the President and the head of government is the Prime Minister. Turkey has a mixed economy in which there is a growing private sector combined with centralized economic planning and government regulation. Turkey is a member of the Black Sea Economic Cooperation (BSEC).



**Country Comparator**  
Select variable and countries to compare in table format



**Country Rankings**  
Rank ordering and interactive map. Show how this country compares to others

## From the Blog

[Turkey's Emerging Economy](#)  
3/17/2011 12:43:07 PM

[The New Emerging Economies - MIST](#)  
2/7/2011 9:41:09 AM

[More Blog Entries](#)

## Quick Links

[Turkey: Country Commercial Guide](#)

[Turkey: World Bank Doing Business Indicators](#)

[Turkey: BBC Country Profile](#)



**Capital City**  
Ankara (+2 GMT)

**Currency**  
Turkish Lira (TRY)  
[CURRENCY CONVERTER](#)

**Languages**  
Turkish (official), Kurdish, other minority languages

**Calling Code**  
90

**Voltage**  
230

**Religions**  
Muslim 99.8% (mostly Sunni), other 0.2% (mostly Christians and Jews)

## Key Facts

**GDP per capita, PPP**  
\$14,741 (2010)

**Population, total**  
75,705,147 (2010)

**Country Risk Ratings**  
A4

**Ease of Doing Business Rankings**  
59 out of 181 (2008)

**Global Competitiveness Report**

# globalEDGE – Interactive Rankings and Comparisons

▶ Test Your Knowledge

▶ Comparator Tool

▶ Interactive Rankings

## How Do I...

Know what different international business terms mean?

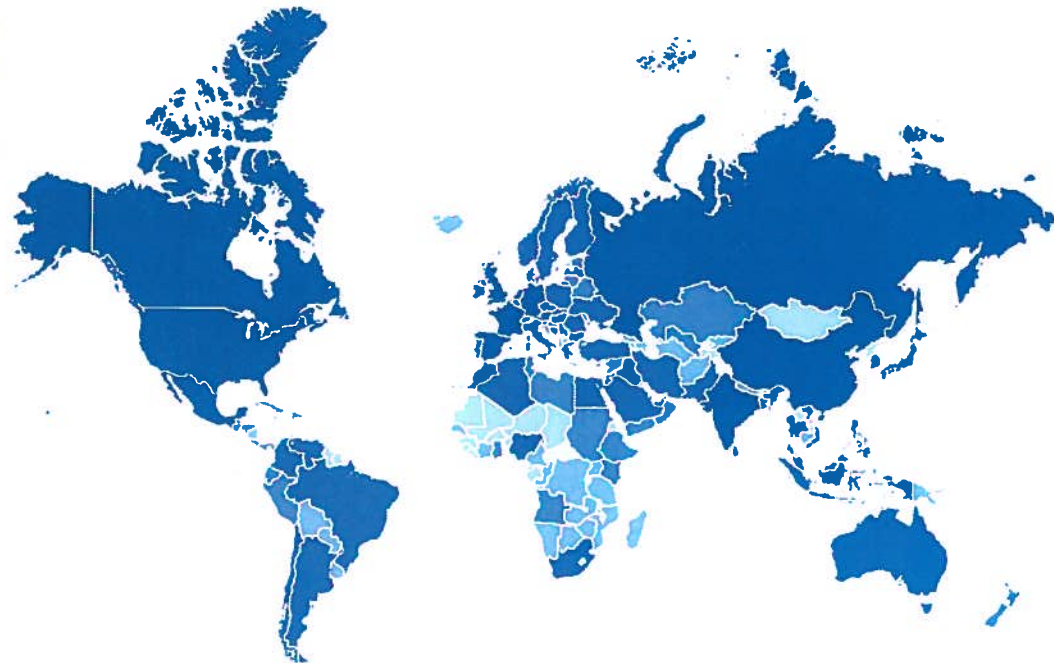
[Study our extensive Glossary.](#)

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## Trade and Investment - Merchandise imports





# globalEDGE Diagnostic Tools

globalEDGE (TM) | Diagnostic Tools - CORE - Mozilla Firefox

http://globaledge.msu.edu/dagTools/dagToolIndex2.asp?diagID=6&ord

Company Name: Virtual Export Co

Session Name: Final Evaluation

EDIT SESSION INFO

back to main

view results

help

save & exit

CORE

Q58

skill, knowledge and resources

Knowledge of Finance

Your understanding of foreign currencies and how they affect your export transactions, and your knowledge of the financing of foreign operations is:

PREV

☐ Considerable  
☐ Moderate  
☐ Little  
☐ Inadequate/none  
☐ Don't Know

☐ Not Applicable

NEXT

COMMENTS

EXPLANATION

QUESTION MAP

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70										

☐ Current
 ☐ Unanswered
 ☐ Don't Know
 ☐ Answered
 ☐ N/A

globalEDGE



## Four decision support tools for SMEs:

- CORE – Company Readiness to Export
- Freight – evaluate freight forwarders
- Partner – evaluate potential partners
- Distributor – evaluate potential distributors

# Thank You!

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